

AR44





Annual Meeting:

The Annual Meeting of the Company will be held on Friday, May 14th, 1976 at 10:30 a.m. in the Board Room, Hotel Vancouver, Vancouver, British Columbia.

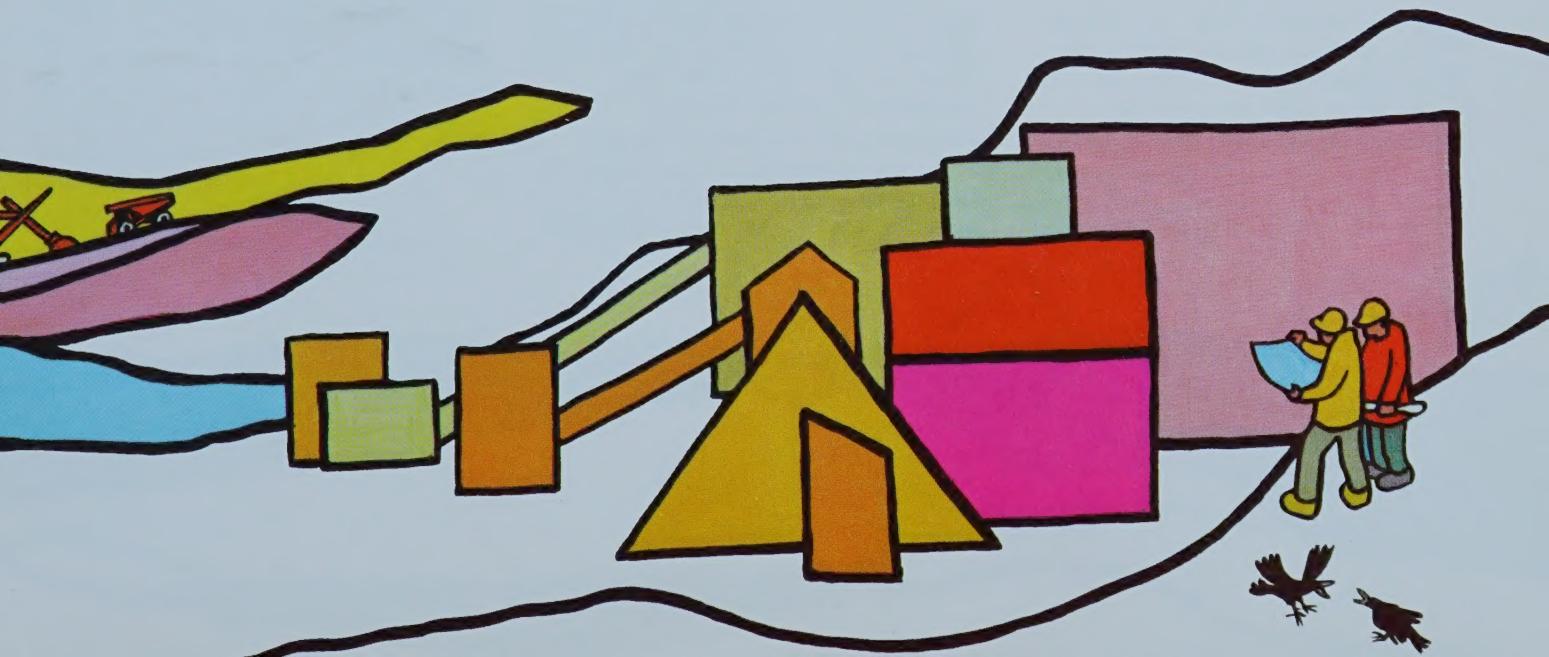
Table of Contents

- 2 Letter to Shareholders
- 4 Operations
- 5 Mineral Exploration
- 6 New Projects
- 7 The Community of Faro
- 8 Financial and Marketing
- 9 Five Year Review
- 10 The Mining Industry in Canada
- 12 Financial Statements
- 19 Directors and Officers
- 20 Corporate Directory

Cover Story:

Painting 'Cyprus Anvil Mine' Faro Yukon 49" x 37" painted by artist Ted Harrison who is a resident of Whitehorse, Yukon.

The painting depicts the mine and operations at Faro. In the middle distance is the town of Faro surrounded by the grandeur of the Yukon wilderness. The Pelly River flows towards Little Salmon Lake which lies at the foot of the majestic Pelly Range forming a backdrop to the scene.





The first year of our Company's operations following the amalgamation of Dynasty Explorations Limited and Anvil Mining Corporation Limited on April 21st, 1975, was a good one. It was particularly so when compared to the performance of the mining industry generally which was adversely affected by lower metal prices, higher operating costs and, on average, higher taxes than the previous year.

Net earnings for the year were \$20,575,000, or \$2.70 per share, compared with \$25,886,000, or \$3.40 per share for the combined income in 1974 of the two predecessor companies.

During 1975, a large increase in sales substantially offset the adverse effects of the lower metal prices and higher operating costs. Sales in 1975 amounted to \$157,877,000 as compared to \$128,463,000 in 1974.

The average prices received during 1975 were, lead 18.3¢ per lb., zinc 36.9¢ per lb., and silver \$4.34 per oz., as compared to 26.8¢, 37.1¢ and \$4.77 respectively for 1974.

During this first year the Company paid dividends totalling \$4,569,150, or 60¢ per share, a level of dividends which was established after taking into account projected requirements for capital and exploration funds. Although the anti-inflation legislation announced by the Federal Government contains certain restrictions on dividends, the established dividend rate of 15¢ per share per quarter, which the Company is reasonably certain of maintaining, is not affected.

Working capital increased from \$7,046,000 at the end of 1974 to \$22,231,000 at the end of 1975. This substantial increase in working capital places your Company in a strong position to finance its capital requirements and to pursue its plans for growth.

Plans for Growth

Our main objective is to expand the Company's base of operations through exploration and by acquisitions.

Mining exploration continues to play a very important part in our plans. In 1975 we spent \$1,492,900 on exploration. Most of these funds were spent in the Anvil district, where our mining and processing facilities are located and where we continue to hold a large block of mineral claims. The results of 1975 exploration activities by our Company and by other companies in the Anvil district indicate a good potential for this block of our mineral claims. We plan therefore, to continue with a substantial and methodical district exploration program to find additional ore and thus to utilize our processing facilities long after the Faro orebodies

have been mined out. Although the ore reserves are estimated to last approximately 12 years, we are determined to continue with this substantial exploration effort to fully explore the potential of our mineral claims and thus ensure a long life for the community of Faro and for our operations, which continue to be the backbone of our Company.

Exploration activities were also carried out in other parts of the Yukon and we are continuously seeking opportunities in British Columbia and in other parts of Western Canada.

As earlier reported, and as is more fully outlined in this report under the heading "New Projects," the Company has acquired an option on the Kakwa coal property in Alberta which has a substantial metallurgical coal potential. Further exploration and development of this excellent project are being delayed by the Alberta Government, which is still in the process of developing its coal policies before granting any permits for exploration and development. Because of a projected strong demand for coal, particularly metallurgical coal, the Company intends to explore for and to acquire other coal deposits in Western Canada. This includes further exploring of our coal leases near Carmacks in Yukon, where we now operate a small coal mine to supply the heating plant at the concentrator near Faro.

In addition, the Company is continuously examining new natural resources projects for possible acquisition or joint venture participation.



Outlook for 1976

The slow recovery of the price of lead, increasing operating costs and reduced volume of sales will result in lower earnings in 1976. However, the long term outlook is good. With anticipated improvement in metal markets late in 1976, we are projecting increased earnings starting in 1977. Confident of the future, we are planning for substantial expenditures for the new mine equipment required to maintain our present level of production.

Apart from some deferrals of deliveries into early 1977, we anticipate selling our entire production in 1976. This, to a great extent, is due to the good relationships we enjoy with our Japanese and German customers, who continue to support our Company. While the demand for zinc is still lagging, there is a marked improvement in the demand for lead.

Towards the end of 1975 the western nations were able to show some positive results in their fight against inflation and the recession was not as pronounced as it was at the beginning of the year. However it will take much longer to overcome inflation and world-wide recession than was originally anticipated.

Despite this delay in economic recovery, we look confidently to the future. The projected cash flow from mine operations will continue to provide sufficient funds for payment of dividends to our shareholders, and to finance our exploration activities. With no outstanding debt, other than for the housing mortgages at our community in Faro, your Company is in a strong position to meet the current world wide economic adversities and to take advantage of growth opportunities as they appear.

The Federal and Yukon Governments continue to maintain

sound economic and tax policies which are conducive to exploration and mining activities in the Yukon.

Labour Agreements

Our collective agreements with the two Locals of the United Steelworkers of America expired at the end of September 1975. After prolonged negotiations, an agreement was reached with the Operating Local. Negotiations with the other Local — Office and Technical Employees — are still continuing. The labour situation continues to be one of our most difficult problems. During the last six months we have experienced three work stoppages caused by labour disputes. This difficult situation is in part due to the isolation and harsh winter climate of Faro. However, as the labour turnover is markedly decreasing we hope that the labour situation will improve.

Anti-Inflation Guidelines

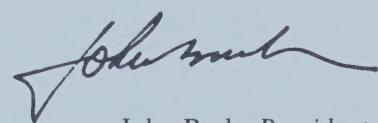
In October of 1975 the Government of Canada announced the anti-inflation legislation which provides for wage and price controls. While we may not like additional government interference, there is no question that some action was warranted to curb inflation which was becoming unmanageable. It is hoped that the guidelines will be effective and that there will be no need to maintain those restrictions for too long a period of time. When the guidelines were announced there was a suggestion that a tax on export profits would be levied. However, the Government has

since recognized that such a levy would have no effect on inflation and the proposal has been abandoned.

Acknowledgements

Robert E. Thurmond decided during the year to take early retirement from Cyprus Mines Corporation in order to become an independent mining consultant and, therefore, relinquished the office of President of our Company and has ceased to be a director. We express our appreciation for his valuable contributions to our Company and we wish him success in his new undertaking. During the year Andrew von Kursell was engaged as the new Resident Manager at Faro replacing James F. Olk, who continues as General Manager and Vice President, at our head office in Vancouver.

This year we will direct our efforts towards increasing productivity so that we may take full advantage of the rich mineral reserves of the Faro orebodies and thus assure a satisfactory return on investment to our shareholders, good compensation for our employees and sufficient funds to continue to maintain and expand our operations.



John Bruk President



The year 1975 was the sixth year of operation of our open-pit lead/zinc/silver mine near Faro in the Yukon Territory.

During 1975, mine production totalled 5,677,000 cubic yards, of which 5,022,000 cubic yards was waste stripping. A total of 3,225,223 tons of ore was milled during the year, for an average daily throughput of 8,836 tons. The grade of mill feed was 4.03% lead and 5.41% zinc, for a total combined feed grade of 9.44%. Concentrates produced during the year were: lead 145,453 dry short tons, zinc 230,494 dry short tons and bulk concentrate 77,113 dry short tons.

No changes in operations schedules were made from those in effect at the end of 1974, and all operations continued on a seven day per week schedule through 1975.

Production was affected by several factors during the year:

- In January 1975, power supply problems caused a loss of production but with the completion of Aishihik hydro development by the Northern Canada Power Commission (NCPC) during the year, the reliability of the power supply increased considerably, since the use of diesel power to relieve the annual winter peak load on the power system was discontinued by the NCPC.
- On September 30, 1975, the collective bargaining agreements with both Union Locals at Faro expired, and in October an illegal work stoppage by the Local representing the Office and Technical group caused a suspension of operations for a period of five days. Negotiations for new collective bargaining agreements commenced in August and continued for the balance of the year.

- A sustained period of severe cold weather during the first part of December caused maintenance problems in both the mine and crushing plant. Mine waste stripping rates were lower than planned



during the period when a mine expansion, with difficult working conditions, was being undertaken. The work was near completion at year end and future expansions will have adequate room for good productivity.

Mill operations were normal, except during the periods mentioned, and the designed rate of 10,000 tons per day was exceeded in several months. Metallurgical results were excellent in 1975, and the highest mill recoveries since the start of the operations were achieved.



Continuing price escalation of operating supplies and repair parts affected production costs during the year and the search for economies in production was a continuing effort.

Ore reserves at the end of 1975 were estimated to be 46.4 million tons with an average grade of 8.6% combined lead and zinc with approximately one ounce of silver per ton.

Several capital expenditures were incurred during 1975. The construction of a new tailings dike to increase tailings capacity, which was started in late 1974, was completed and two additional 120 ton haulage trucks were added to the fleet. A substantial investment was also made in employee housing in Faro. A mobile home development for married employees was added as well as a new single persons complex to replace the old bunkhouses which originally housed the first construction crews.

Notwithstanding the several interruptions and other difficulties which occurred in 1975, production results were extremely gratifying and much credit is due to the department supervisors, their staffs and mine and mill employees for their co-operation and diligence in maintaining efficient operations.

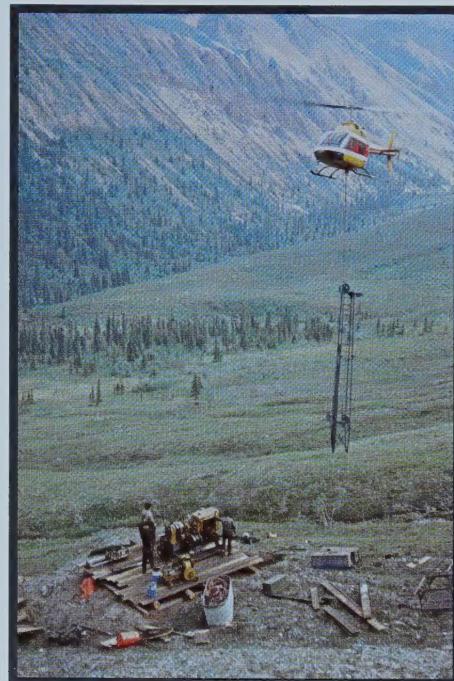


The principal emphasis of our 1975 exploration program was on lead-zinc in the Anvil District and other prospective areas of the Yukon Territory. A systematic deeper drilling program based on increased geological knowledge was initiated this past year in the Anvil District. Extensive property evaluation and regional studies were carried out in carbonate formations of the northern Yukon and exploration was re-initiated in the black shale basins of the eastern Yukon. Zinc-copper and copper prospects were evaluated in other areas and new targets have been defined as a result of this work. A wide range of property examinations and regional studies have been undertaken in B.C. and Yukon.

Anvil Project

A total of 25,000 feet of diamond drilling was completed on principally geologic targets in three sections of the Anvil District, with the majority of drilling adjacent to, and along strike from, the Faro deposits. Drilling near the southwest margin of the No. 3 ore zone indicated an extension at depth of this zone, although mineralization thicknesses are such that reserves in the area would not be mineable by surface methods. These reserves will be evaluated in the future with a view towards underground extraction at a later stage, possibly using access from the open pit. Identification of the stratigraphic position of the ore horizon and its complex structural form has been greatly enhanced by this past year's program.

Sub-economic sulphide intersections were obtained in both the Swim Lake



area and adjacent to claims containing the Grum Deposit, currently under intensive exploration and engineering study by Kerr Addison Mines and Canadian Natural Resources.

The exploration program in the Anvil District for 1976 will be on a scale similar to that of 1975, with diamond drilling commencing in the Swim Lake area early in 1976.

Reef Project

A number of lead-zinc and copper prospects were discovered as a result of reconnaissance surveys over the past two years in mainly carbonate formations of the Northern Yukon. Most of these new properties were evaluated in 1975, including two where diamond drilling was carried out. Drill results failed to yield intersections of economic significance but a number of properties remain to

be evaluated and a further program is planned for 1976.

Earn Project

An extensive zone of zinc-copper mineralization in volcanic sedimentary rocks was further tested on the Dana claims north of the Anvil District. Drilling this past year failed to improve on the sub-economic grades indicated from previous drilling. Further evaluation of other properties in the area was carried out and a new target defined by geophysical surveys.

MacMillan Project

Work has been re-initiated in the black shale basin of the eastern Yukon and adjacent Northwest Territories which contains the significant lead-zinc deposits of the Tom Group of Hudson's Bay Mining and Smelting and the Howard's Pass deposit of Canex Placer and U.S. Steel. A better understanding of the stratigraphy of the basin, combined with the broad data basis accumulated from regional programs in the past, forms the basis for an on-going program of exploration directed at the extensive potential for large lead-zinc deposits.

A number of other properties were examined and evaluated during the year, including a copper prospect southeast of Ross River where geochemical and induced polarization surveys have outlined an anomalous zone for drill testing.



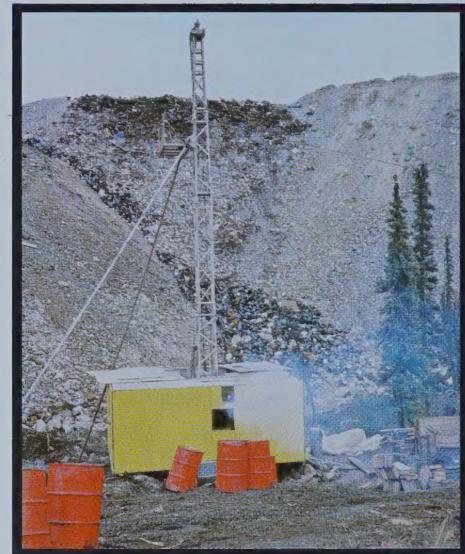
New Projects

Your Company has been actively engaged in examining new projects involving a broad range of resource commodities within Western Canada. These investigations have included consideration of a number of opportunities ranging from corporate acquisitions to joint venture project participation and option agreements.

Kakwa Project

Following detailed evaluation, management recommended the acquisition of an option to acquire a 100% interest in Kakwa Mines Ltd., from a wholly-owned subsidiary of Cyprus Mines Corporation. Kakwa is the owner of extensive coal leases in northwestern Alberta, adjacent to the British Columbia border, 270 miles west of Edmonton. At an Extraordinary Meeting of Shareholders in November, this acquisition was approved by the shareholders.

The Kakwa leases cover 35,000 acres which had been partially explored between 1970 and 1973. The leases were evaluated on the basis of data and reports available and an order of magnitude feasibility study carried out by consultants. Although a number of fundamental factors remain to be evaluated, total geologic reserves are estimated to be in excess of 300 million tons, of which 135 million tons could be mined by open pit methods, including 25 million categorized as proven. On the basis of sampling to date, indications are that a considerable portion of the reserves will ultimately be proven to be of metallurgical quality. It is intended to thoroughly evaluate both open pit and underground methods for mining of these reserves. During the past two



zinc-lead smelter in the Yukon to process concentrates from our mine. On the basis of zinc and lead prices prevailing during the past year, the study indicated that it is not economically feasible to construct a smelter at this time. We have agreed to re-evaluate the feasibility should fundamental changes occur in the critical factors affecting the economics of such a smelter.

years further exploration on the leases has not been possible as a result of exploration permit prohibition by the Alberta Government. The Alberta Government is currently developing a total policy with respect to future coal exploration and development and it is anticipated that regulations concerning the status of the Kakwa leases will be established early in 1976.

Smelter Study

In accordance with our Agreement with the Government of Canada, we completed a feasibility study of a

The Community of Faro

It is difficult to speak of the people of the Yukon without recalling one or other of the verses of its best known poet, Robert Service. These words convey better than any others, the true nature and the challenge of the vast northern territory:

"And I will not be won by weaklings,
subtle, suave, and mild,
But by men with the hearts of vikings,
and the simple faith of a child,"

*(The Law of the Yukon,
by Robert Service).*

The town of Faro was built to provide permanent housing for the employees of the Cyprus Anvil mine and to ensure a suitable environment in which they, and their families, could live and grow comfortably. There is a point, however, at which a town ceases to be mere bricks and mortar and becomes — a community.

To speak only of the dollars which your Company has invested in the town of Faro is to lack an understanding of the value of the town to its citizens and of the effort which they themselves have expended in enriching the quality of life in their community. No weaklings these; and the heart of the northern Canadian is equal to any viking. As to 'the simple faith of a child', the following extract from an essay written by a young Faro student says it all;

"Faro is life, learning to live,
and growing up. Faro is a haven,
a sanctuary and a home . . .
Faro is where my day begins . . .".

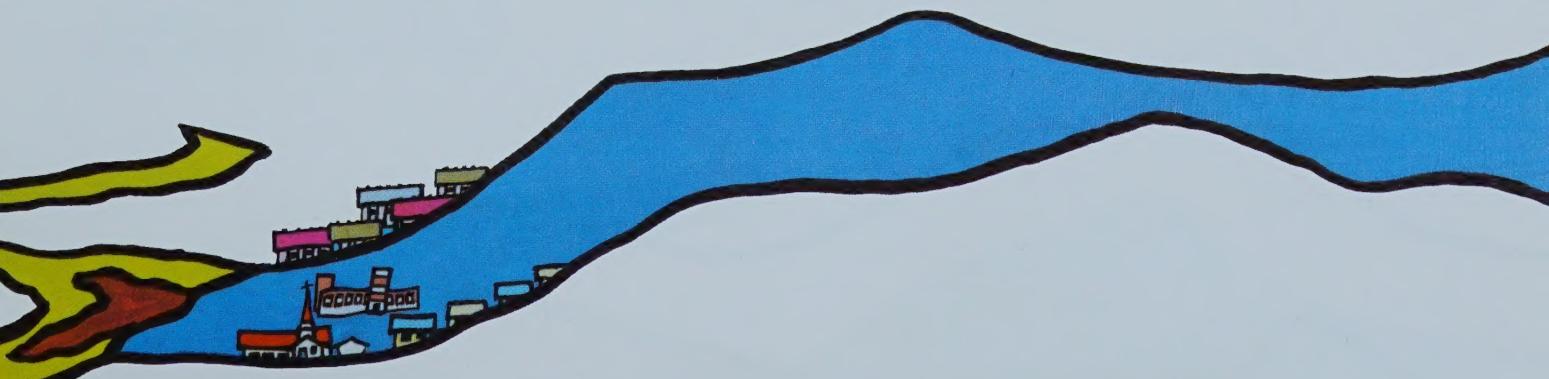
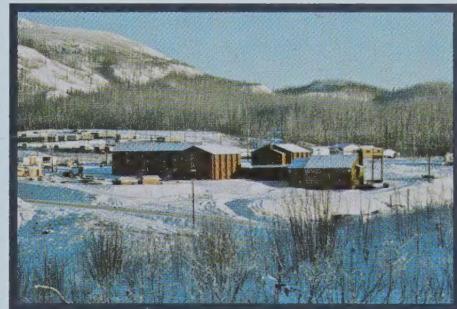
Necessity was ever the mother of invention and a remote northern community must, of necessity, generate its own entertainment and its own pastimes. Your company

measures its support of these activities in accordance with the degree of involvement of the community itself. In addition to those interests normally pursued in any close knit community, Faro has developed some which are peculiar to itself; the Iceworm Squirm is a three day winter revelry incorporating many winter sporting activities — replete with entertaining variations. In April 1975, the Farrago Folk Fest which was sponsored by your Company proved to be such a tremendous success that it promises to become an annual event comparable to the Yukon's Sourdough Rendezvous. The next Farrago Folk Fest is scheduled for September 17-19, 1976.

The practical needs of a growing community are, however, ever-pressing and to satisfy those needs demands both a strong sense of responsibility and a substantial expenditure of funds. Your company has met, and will continue to meet these demands with a sense of pride in its contribution to the development of Canada's north.

Construction of a three-storey four-building complex to house one hundred and fifty single employees and of a forty-five unit mobile home park were the major construction programs in the town of Faro in 1975. These projects, together with the landscaping of thirty townhouses built in 1974, represented a total expenditure of \$5.5 million.

The recreational facilities of Faro are extensive and local groups utilize them to the fullest degree. Your Company assists in the development of these facilities and works with the residents and the elected Council in Faro to ensure that the leisure hours of the Company's employees are spent enjoyably and fruitfully.



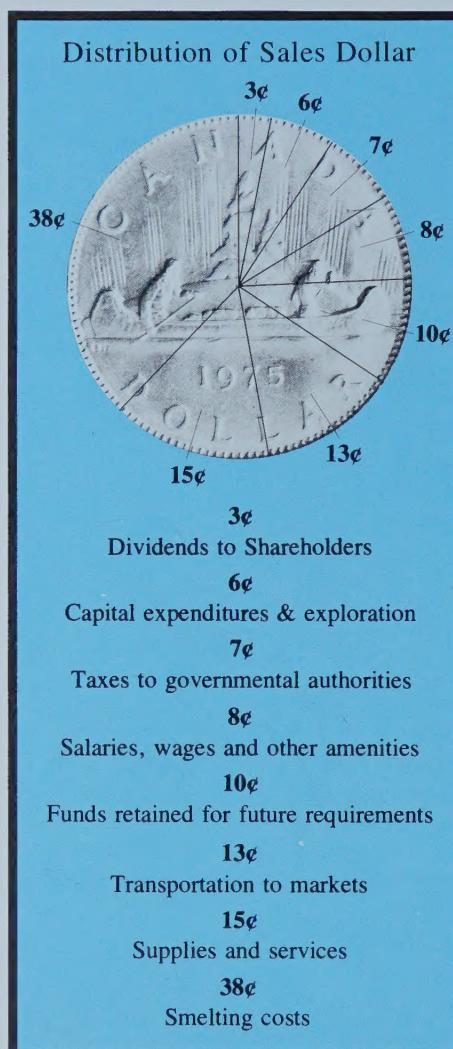
The year 1975 was one of world wide economic recession and the mining industry was among the hardest hit by those adverse conditions. Spiralling costs in Canada and depressed international metal market prices placed considerable pressure upon the extractive industries to maintain profit levels.

It is gratifying to report that your Company met this challenge successfully. Though net earnings were somewhat lower than those experienced in 1974, they were, nevertheless, highly satisfactory and compared favourably with levels observed generally within the industry.

Sales of concentrates in 1975 were higher than in any previous year of operations and, notwithstanding a substantial reduction in the price of lead compared to the price prevailing in 1974, total revenues increased appreciably. Production costs of concentrates sold were, however, almost double those experienced in 1974. The major contributing factor to this increase was that the high sales volume considerably exceeded production and thus costs previously charged to concentrate inventories were reflected in the 1975 production costs.

In light of conditions prevailing in 1975, we are more than pleased to report an increase in total revenues to \$157.9 million in 1975 from \$128.5 million in 1974.

Yukon Mining Royalties are reported at \$286,000 for 1975, compared to \$3,066,000 for 1974. Inventory levels have a considerable bearing upon the computation of Yukon Mining Royalty and in 1974



royalties were paid on the estimated sales value of the then large, primarily lead, concentrate inventory. Royalty had, therefore, already been paid on a portion of 1975 sales. As well, current income taxes payable are deducted in computing Yukon Mining Royalty. Income tax payable in respect to the 1975 fiscal period was \$8,622,000 compared to the much lower \$3,350,000 payable in 1974. The

combination of these two factors coupled with the lower than anticipated sales value actually realized on 1974 inventories resulted in an effective overpayment of royalty in 1974 which was recovered in 1975.

In 1975 the realized price of lead dropped to 18.3¢ per pound, its lowest level since 1972, compared to 26.8¢ per pound for 1974. The realized price of zinc remained steady at 36.9¢ per pound for 1975, compared to 37.1¢ per pound for 1974 and the realized price of silver dropped from \$4.77 per ounce in 1974 to \$4.34 per ounce for 1975.

During 1975 concentrates produced were shipped to smelters located in Japan, Germany, England, France and Italy. Most of these shipments were made under long term sales agreements with Mitsui Mining and Smelting Co. Ltd. and Toho Zinc Co., both of Japan, and with Metallgesellschaft A. G. of Germany. Though the world wide economic recession has resulted in an oversupply of zinc concentrates, sales by your Company continued at contractual levels during 1975 and are expected to be maintained during 1976 even though some shipments may be deferred until 1977.

Preliminary discussions have been held with our buyers regarding extension of the long-term sales contracts which expire at the end of 1977. It has been agreed in principle that the contracts shall be extended and that final details will be determined in early 1977.

It is anticipated that major capital expenditures will be incurred in 1976 to provide equipment and related facilities which are required to sustain operations at full capacity. Several methods of financing these expenditures are being considered, including the use of working capital.

Five Year Review

Financial

	1975	1974	1973	1972	1971
Total Revenues (\$000s)	157,877	128,463	112,908	74,078	56,034
Net Income (\$000s)	20,575	25,886	20,252	11,422	5,004
Per Share	2.70	3.40	2.66	1.50	.67
Shareholders Equity (\$000s)	84,123	68,117	42,379	22,161	10,342
Per Share	11.05	8.94	5.57	2.91	1.38
Working Capital (Deficit) (\$000s)	22,231	8,046	(2,259)	277	(3,952)

Production

Ore Milled — Dry Short Tons (000s)	3,225	2,925	2,899	2,906	2,673
Average Grade of Ore Milled					
% Combined Lead and Zinc	9.44	10.11	11.25	10.85	11.71
Concentrates Produced					
Lead — Dry Short Tons	145,453	148,517	156,732	142,081	144,957
Zinc — Dry Short Tons	230,494	207,437	233,049	213,344	219,782
Mixed Lead and Zinc — Dry Short Tons	77,113	72,294	79,197	88,007	64,457

Marketing

Payable Metal Sold					
Pounds of Lead (000s)	264,943	192,743	186,973	207,134	177,845
Pounds of Zinc (000s)	254,834	174,034	239,728	229,365	193,808
Ounces of Silver (000s)	3,335	2,451	2,160	2,403	2,208
Average Prices Received					
Per Pound of Lead	18.3¢	26.8¢	22.2¢	14.1¢	11.8¢
Per Pound of Zinc	36.9¢	37.1¢	27.2¢	17.7¢	16.3¢
Per Ounce of Silver	\$4.34	\$4.77	\$2.81	\$1.77	\$1.50





The story of mining in Canada is one of which the industry is justifiably proud. From the post-war period until 1970 the mineral industry recorded spectacular growth. Production figures soared from \$499,000,000 in 1945 to \$5,722,000,000 in 1970. The industry's progress was particularly noticeable in Western Canada which attracted world wide attention as many large deposits were discovered and placed into production.

Mining output last year exceeded \$7 billion, accounting for about 5% of Canada's gross national product. More than 9% of the Canadian labour force is employed by the mining industry at wages on average higher than in other major industries. Canada, which is now the third largest producer of minerals in the world after the United States and the Soviet Union, leads the world in per capita value of mineral production.

The explanation for the industry's success lies deeper than the country's rich mineral deposits. If resources were all that were necessary to ensure the success of a mineral industry, countries such as Brazil, Chile and Peru in South America and Zaire and Zambia in Africa would have exceeded Canada's record.

Fortunately, until 1970 the Canadian mineral industry had the additional advantage of operating in a climate of political and economic stability which enhanced potential for growth. Taxes, security of tenure and regulatory legislation, cooperation between Federal and Provincial governments and the industry, all provided the incentives which resulted in unprecedented expansion. During this period Canadians developed a level of technical expertise and know-how which the resource rich countries such as Brazil have been unable to duplicate.

Then the pendulum swung. The political and economic environment changed; initially as a result of policies implemented by the Federal government following the Carter Report, and subsequently by confrontations between the two levels of government over tax revenues from resource industries.

The cooperation essential for the successful development of Canada's resources was replaced by confrontation. The industry was subjected to intense public scrutiny, which questioned the benefits accruing to Canada from mining expansion in terms of the return to its citizens from mineral developments by the private sector, the protection of the environment and the desirability of exporting large amounts of unprocessed and semi-processed resources.

All of this occurred at a time when the industry also faced international market problems caused by world wide inflation and recession. Instead of recognizing the industry's difficulties, governments reacted by imposing more taxes and royalties and more stringent regulations on the industry, at the time when the industry was least able to absorb the added burden. Government blamed industry's problems on world recession and weak markets; the industry blamed government. Neither, of course, was altogether correct. Both factors — economic and political — contributed to the decline of mining activity and profitability. Exploration decreased in every part of Canada except the North.

Though handicapped by a harsher environment, shortage of labour and expensive transportation, the Yukon and the Northwest Territories offered a uniquely favourable political and economic climate, and exploration flourished. For this, the Federal government is to be congratulated. It is hoped that this favourable situation in the Territories will provide an

example to the rest of Canada where confrontation between the Provincial and Federal governments continues to have an adverse effect on the level of exploration activities. This confrontation continues to be the major problem facing the industry.

There are encouraging signs of a return to the former recognition of the mineral industry as a vital ingredient in the development of a healthy Canadian economy. The non-implementation of the proposed levy on export profits proved that government values industry's point of view. Government is becoming aware that to penalize the mineral industry is to threaten a major sector of our economy and thereby further jeopardize the source of revenue for those employed by the industry, its shareholders and its suppliers, and the foreign exchange which it generates. The industry is also responding positively to its role within the economy. New processing facilities are being planned and constructed and the industry is accepting its responsibility to protect the environment. Substantial amounts of capital are being expended for research into methods of reclamation to eradicate industrial environmental damage.

There are indications that we are entering a new era of cooperation; one in which government will respond to the needs of industry and industry acknowledges the aspirations of the country in which it operates. The lines of opposition are no longer as rigidly drawn. Canadians are looking for ways to resolve the differences which have endangered a segment of the economy so important to the country as a whole. There is also a growing awareness of Canada's obligation to

share its resource wealth with those other countries which depend on an assured supply of minerals, while at the same time assuring continued benefits for Canadians.

Were Canada to have kept its back turned on the mineral industry it would have been as unthinkable as if the Swiss were to ignore the needs of their watchmaking industry. It is encouraging to note that Canadians are beginning to recognize the true nature and importance of the mining industry; they are starting to recognize that, in addition to the monetary benefits and employment it provides, the mineral industry is opening up new communities in areas previously undeveloped; it is offering an opportunity for Canadians to develop new frontier communities free from the problems of crime, pollution, housing and transportation now prevalent in the cities.

With understanding governments and a labour force that recognizes its duty to share in the expansion by returning efficiency for higher wages, the mineral industry is prepared to meet the challenge of developing a more responsive stance; responsive to the aspirations of Canadians for more home-based metal facilities; for realistic returns to Canada from the export of mineral resources; and for increased protection of the environment. This can only be accomplished when the public, government, labour and industry recognize the benefits that will accrue to all Canadians from a strong and prosperous mineral industry.



Cyprus Anvil Mining Corporation Balance Sheet as at December 31, 1975

Assets	1975	1974
	\$	\$
	(000's)	(000's)
Current assets		
Cash and short-term deposits	3,118	1,552
Accounts receivable	1,037	755
Mortgage proceeds receivable	—	1,085
Concentrate settlements receivable	21,508	4,617
Concentrate inventory	1,441	7,488
Supplies—at cost	4,459	3,087
Prepaid expenses	385	83
	31,948	18,667
Investments, at cost less amounts written-off	1,624	347
Fixed assets (note 3)	53,045	49,410
Deferred costs (note 4)	28,026	30,793
	114,643	99,217

Auditors' Report to the Shareholders

We have examined the balance sheet of Cyprus Anvil Mining Corporation (note 2) as at December 31, 1975 and the statements of contributed surplus, retained earnings, earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We previously made a similar examination for the year ended December 31, 1974.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
January 15, 1976

Coprus & Hyland
CHARTERED ACCOUNTANTS

Liabilities	1975	1974
	\$	\$
	(000's)	(000's)
Current liabilities		
Bank loan	—	900
Accounts payable and accrued liabilities	5,714	4,142
Income taxes payable	3,617	3,250
Yukon mining royalty payable	286	3,229
Current portion of long-term debt	100	100
	9,717	11,621
Long-term debt		
8½%-11½% mortgages secured by townsite buildings, repayable in annual amounts to the year 2000	5,253	5,364
Deferred income taxes (note 6)	15,550	14,115
	30,520	31,100
Shareholders' equity		
Capital stock (note 5)	3,461	3,461
Contributed surplus	4,067	4,067
Retained earnings	76,595	60,589
	84,123	68,117
	114,643	99,217

Signed on behalf of Board



John Smith
Director



Al G. Johnson
Director

Cyprus Anvil Mining Corporation Statement of Contributed Surplus
for the year ended December 31, 1975

	1975	1974
	\$	\$
	(000's)	(000's)
Balance—beginning of year	4,067	4,065
Premium arising from issue of Dynasty		
Explorations Limited shares	—	2
Balance—end of year	4,067	4,067

Statement of Retained Earnings for the year ended December 31, 1975

	1975	1974
	\$	\$
	(000's)	(000's)
Balance—beginning of year	60,589	34,846
Net earnings for the year	20,575	25,886
	81,164	60,732
Expense incurred during the year for purposes of effecting amalgamation	—	143
Dividends (note 7)	4,569	—
Balance—end of year	76,595	60,589

Statement of Earnings

15

Cyprus Anvil Mining Corporation Statement of Earnings for the year ended December 31, 1975

	1975	1974
	\$ (000's)	\$ (000's)
Revenue		
Concentrate sales	157,877	128,463
Deduct: Ocean freight, treatment and related charges	63,819	49,963
	<hr/> 94,058	<hr/> 78,500
Operating expenses		
Production costs of concentrate sold	51,421	26,297
Administrative and general	6,416	4,607
	<hr/> 57,837	<hr/> 30,904
Operating income before depreciation and amortization	36,221	47,596
Depreciation	4,095	2,929
Amortization	2,039	1,413
	<hr/> 6,134	<hr/> 4,342
Operating income	30,087	43,254
Other expenses (income)		
Interest income	(650)	(799)
Interest on long-term debt	516	1,707
Other interest	176	88
Loss on disposal of fixed assets	62	102
Exploration	289	562
Foreign exchange	(367)	—
	<hr/> 26	<hr/> 1,660
	<hr/> 30,061	<hr/> 41,594
Provision for income taxes and Yukon royalty		
Income taxes (note 6)	9,200	12,230
Yukon royalty	286	3,066
	<hr/> 9,486	<hr/> 15,296
Earnings before extraordinary item	20,575	26,298
Extraordinary item		
Write-down of investment	—	412
Net earnings for the year	20,575	25,886
Earnings per share		
—Before extraordinary item	\$2.70	\$3.45
—After extraordinary item	\$2.70	\$3.40

**Cyprus Anvil Mining Corporation Statement of Source and Use
of Working Capital for the year ended December 31, 1975**

	1975	1974
	\$	\$
	(000's)	(000's)
Source of working capital		
From operations		
Net earnings for the year	20,575	25,886
Items not affecting working capital—		
Depreciation	4,095	2,929
Amortization	2,039	1,413
Deferred income tax	940	8,980
Deferred waste removal	2,691	(191)
Loss on disposal of fixed assets	62	102
Deferred exploration and development written-off	279	346
Write down of investments and loss (gain) on sale, net	(4)	412
	30,677	39,877
Proceeds on sale of fixed assets	61	—
Proceeds on sale of investments	118	—
Mortgage loan	—	1,099
Issue of capital stock	—	2
Reclassification of current income tax to deferred	495	—
	31,351	40,978
Use of working capital		
Dividends	4,569	—
Long-term debt reduction	111	18,929
Fixed asset additions	7,853	4,060
Deferred cost additions	2,242	2,328
Amalgamation costs	—	143
Investments	1,391	98
	16,166	25,558
Net increase in working capital	15,185	15,420
Working capital (deficiency)—beginning of year	7,046	(8,374)
Working capital—end of year	22,231	7,046
Represented by:		
Current assets	31,948	18,667
Current liabilities	9,717	11,621
Working capital—end of year	22,231	7,046

1. Significant Accounting Policies

(a) Concentrate Sales and Settlements Receivable

Concentrate sales and settlements receivable are recorded at the metal prices, weights and assays available at the year end. Final prices, weights and assays are not known on a portion of the sales until some time after the year end; accordingly, amounts ultimately received may vary from those recorded.

(b) Concentrate Inventory

Concentrate inventory is valued at the lower of average cost, on an annual FIFO basis, or estimated net realizable value. Average cost for each type of concentrate is determined on the joint product costing basis using relative sales values for proration of all production costs which exclude depreciation and amortization.

(c) Depreciation, Amortization and Deferred Waste Removal

Depreciation and amortization are calculated on the basis of the shorter of estimated useful life or pounds of metal sold in relation to total estimated marketable pounds of metal available from the ore body.

Removal of waste is charged to production based on a waste-to-ore ratio for the life of the mine. Deferred waste removal costs arise when the waste-to-ore ratio exceeds the estimated average for the life of the mine. When the removal of waste is less than the estimated waste-to-ore ratio for the life of the mine a provision for future removal costs results.

(d) Mineral Exploration

The company's policy with respect to exploration of mining prospects is to defer costs and expenses incurred during the exploration period. Such costs and expenses are charged to income if the prospect is abandoned, or capitalized as cost of investment if the prospect is developed into a commercial property. Continuing reviews are made of all exploration prospects in order to provide a reserve on any exploration prospect when appropriate.

(e) Foreign Currency

Current assets and liabilities receivable and payable in foreign currencies, including the current portion of long-term debt, have been converted to Canadian dollars at the year end exchange rate of \$1 Cdn. = \$1.01 U.S. (1974 — \$1.01).

Earnings for the year include all realized foreign exchange gains and losses as well as unrealized gains and losses related to current assets and liabilities.

Revenues and expenses in currencies other

than Canadian dollars have been translated into Canadian dollars at the rate prevailing on the date the transaction was initiated.

2. Amalgamation

These financial statements reflect the amalgamation of Cyprus Anvil Mining Corporation (Anvil) a company which operated a lead zinc silver mine in the Yukon Territory and Dynasty Explorations Ltd. (Dynasty) a company which held a 40% interest in Anvil and was engaged in mineral exploration. As approved by the shareholders in 1974, the amalgamation was completed on April 21, 1975 and is being accounted for on the pooling of interests basis.

Under the terms of the amalgamation agreement the shareholders of Dynasty received one share of the amalgamated company, Cyprus Anvil Mining Corporation, for each share held of Dynasty, being 3,046,100 shares which totals 40% of the issued share capital of the amalgamated company. Cyprus Mines Corporation exchanged its 60% share holding in Anvil for 4,569,150 shares of the amalgamated company. Prior to the amalgamation Cyprus Mines Corporation held 235,400 shares of Dynasty. This resulted in Cyprus owning a total of 4,804,550 shares (63%) of the amalgamated company immediately following the amalgamation. The shares of the amalgamated company were listed for trading on the Toronto and Vancouver Stock Exchanges on April 28, 1975.

The following is a financial summary of the separate companies as at April 21, 1975 immediately prior to amalgamation and after elimination of Dynasty's equity in the earnings of Cyprus Anvil and other inter-company transactions:

	Cyprus Anvil Mining Corporation	Dynasty Explorations Limited
	\$ (000's)	\$ (000's)
Total assets	106,510	1,432
Total liabilities	30,444	1,018
Concentrate sales—net	53,633	
Net earnings (loss)	9,299	(119)

3. Fixed Assets

	1975				1974			
	Accumulated							
	Cost	depreciation	Net	Net	\$	\$	\$	\$
					(000's)	(000's)	(000's)	(000's)
Mine buildings, machinery and equipment	55,172	14,313	40,859	42,254				
Construction in progress			5,629					
Townsite buildings and equipment	8,767	2,210	6,557	7,156				
	69,568	16,523	53,045	49,410				

4. Deferred Costs

	1975	1974
	\$ (000's)	\$ (000's)
Mineral properties, related deferred costs and preproduction costs—at cost	38,556	36,361
Less: Accumulated amortization	9,123	6,852
	29,433	29,509
Waste removal	(1,407)	1,284
	28,026	30,793

5. Capital Stock

	1975	1974
	\$ (000's)	\$ (000's)
Authorized—		
100,000,000 common shares, without par value		
Issued and fully paid (note 2)		
7,615,250 shares	3,461	3,461

6. Income Taxes

(a) Income taxes charged in computing net earnings are summarized as follows:

	1975	1974
	\$ (000's)	\$ (000's)
Currently payable	8,260	3,250
Deferred	940	8,980
	9,200	12,230

(b) Deferred taxes represent the difference in the total tax provision and taxes currently payable. The difference arises during years that expenses allowed as deductions for tax purposes exceed the corresponding expense deducted in computing net earnings for financial statement purposes ("timing differences"). The principal timing differences giving rise to deferred taxes are as follows:

(i) Depreciation deducted for tax purposes (capital cost allowance) exceeded book depreciation for the year.
 (ii) Exploration and/or preproduction costs deducted for tax purposes exceeded book amortization and/or write-offs for the year.

(c) Income taxes are provided at an effective rate of 30.7% in 1975 (29.9% in 1974). The difference between the basic statutory rate (50%) and the effective rate is principally as a result of the following:

(i) Resource tax abatement of 15%.
 (ii) Federal earned depletion, which may vary from year to year, can reduce the effective rate by up to 8.75%.
 (iii) Other factors (including surtax, higher rates on interest income and provincial tax adjustments) increase the effective rate by a small percentage.

(d) The company is allowed a deduction ("earned depletion") in calculating taxable income which is based on the lower of 25% of production profits or \$1 for every \$3 of eligible capital and exploration expenditures made after November 7, 1969. As at December 31, 1975 the company had claimed all "earned depletion" available to that date.

7. Dividends

Dividends totalling \$.60 per share were declared and paid in the year on the 7,615,250 shares outstanding.

Notwithstanding the Anti-Inflation legislation which contains certain restrictions on dividends (note 8), the company will be allowed to maintain its established rate of dividend of \$.15 per share per quarter.

8. Anti-Inflation Act

The company is subject to the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975. The company will also be subject to the proposed federal legislation assessing a levy on export profits which levy is substantially refundable over a period of years subject to certain conditions.

The impact on the company of the Anti-Inflation Act and the proposed export levy legislation is not presently fully determinable because of uncertainties respecting their application to the operations of the company. These measures, however, will be felt mainly in the future and it is unlikely that they will have a significant effect on the results of the company's operations for 1975 or its financial position as at December 31, 1975.

9. Statutory Information

The aggregate direct remuneration paid or payable by the amalgamated companies during the year to their directors and senior officers, as defined by the British Columbia Companies Act, amounted to \$286,472 (1974 — \$353,367).

10. Commitments

The company has outstanding commitments of approximately \$1.6 million with respect to acquisition of fixed assets and an investment in a coal property.

Directors

Aaro E. Aho
Consulting Geological Engineer

Paul W. Allen
Executive Vice President
Cyprus Mines Corporation

John Bruk
President and Chief
Executive Officer

R. E. Gordon Davis
Senior Vice President

Richard Grantham
Senior Vice President
and Treasurer, Cyprus Mines
Corporation

Kenneth Lieber
President
Cyprus Mines Corporation

H. Richard Whittall
Partner
Richardson Securities of Canada

Charles H. Wills
Partner
Farris, Vaughan, Wills & Murphy

Officers

Kenneth Lieber
Chairman of the Board

John Bruk
President and Chief Executive Officer

R. E. Gordon Davis
Senior Vice President

Gerald G. Kelly
Secretary and General Counsel

James F. Olk
Vice President and General Manager

Robert L. Cook
Vice President and Treasurer

Paul W. Allen
Vice President

Selwyn B. Jones
Vice President

Senior Staff

OPERATIONS

Management

Andrew H. von Kursell
Resident Manager
J. Peter Taggart
Assistant Resident Manager
David Marr
General Mine Superintendent

Administration

Richard D. Tamboline
Director of Personnel &
Labour Relations
Thomas H. Biggs
Chief Accountant
Raymond Webb
Purchasing Agent
Harry Jomini
Townssite Administrator

Mine

Murray O. Hampton
Mine Superintendent

Mill and Metallurgical
William W. Wallinger
Mill Superintendent
Newman G. Cornish
Manager - Environmental Control &
Special Projects
R. Bruce Ferguson
Chief Metallurgist

Mechanical and Electrical Maintenance

Sid D. Taylor
Electrical Superintendent

Engineering

John C. Devitt
Chief Mining Engineer

Coal Mine

Stendell Alton
Coal Mine Superintendent

EXPLORATION

J. Glenn Simpson
Exploration Manager



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Mine Office:
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Faro, Yukon Territory

Auditors:
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Royal Bank Building
1055 West Georgia Street
Vancouver, British Columbia

Solicitors:
Farris, Vaughan, Wills & Murphy
Toronto Dominion Bank Tower
700 West Georgia Street
Vancouver, British Columbia

Employees Union:
United Steelworkers of America
Operating Employees
Locals 1051 & 7745
Faro, Yukon Territory
Office & Technical Employees
Local 8243
Faro, Yukon Territory

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Guaranty Trust Company of Canada
at its principal offices in
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Winnipeg, Toronto and Montreal.

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CYPRUS ANVIL

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Lithography: Western Miner Press Ltd.

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CYPRUS ΑΓΓΙΛ

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for the second quarter ended June 30, 1975

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Cyprus Anvil Mining Corporation

Statement of Earnings* (Unaudited) (in thousands)

	three months ended June 30		six months ended June 30	
	1975	1974	1975	1974
Revenue:				
Concentrate sales	\$35,748	\$48,979	\$83,737	\$77,673
Deduct: Ocean freight, treatment and related charges	15,335	17,994	33,757	29,237
	20,413	30,985	49,980	48,436
Operating Expenses:				
Production costs of concentrates sold	12,143	9,922	23,778	14,561
Administration and general	1,665	889	2,975	1,961
	13,808	10,811	26,753	16,522
Operating Income before Depreciation and Amortization:	6,605	20,174	23,227	31,914
Depreciation	1,078	1,061	2,337	1,616
Amortization	452	563	1,002	818
	1,530	1,624	3,339	2,434
	5,075	18,550	19,888	29,480
Other Expenses (Income):				
Interest on long-term debt	145	539	243	1,153
Other interest expense	5	21	29	78
Interest income	(194)	(206)	(302)	(309)
(Gain) Loss on foreign exchange	(247)	773	(362)	433
Exploration	—	77	—	85
Write-down (write-up) of investments	19	57	(9)	114
	(272)	1,261	(401)	1,554
	5,347	17,289	20,289	27,926
Provisions for Income Taxes and Yukon Royalty:				
Income tax — current	1,748	500	5,671	500
— deferred	(586)	4,707	741	7,967
Yukon Mining royalty	(348)	1,431	552	2,398
	814	6,638	6,964	10,865
Net Earnings for the Period:	\$ 4,533	\$10,651	\$13,325	\$17,061
Earnings Per Share:	\$.60	\$ 1.40	\$ 1.75	\$ 2.24

Cyprus Anvil Mining Corporation

Statement of Source and Use of Working Capital* (Unaudited)

(in thousands)

	three months ended June 30		six months ended June 30	
	1975	1974	1975	1974
Source of Working Capital:				
Current operations	\$ 5,847	\$17,429	\$17,833	\$27,753
Issue of capital stock	—	—	—	2
	<u>5,847</u>	<u>17,429</u>	<u>17,833</u>	<u>27,755</u>
Use of Working Capital:				
Fixed asset additions — net	606	365	891	1,022
Deferred costs	629	489	680	663
Long-term debt	18	8	49	18,847
Investments	4	—	15	—
Amalgamation Costs	—	2	—	63
Dividends	<u>2,285</u>	<u>—</u>	<u>2,285</u>	<u>—</u>
	<u>3,542</u>	<u>864</u>	<u>3,920</u>	<u>20,595</u>
Increase (Decrease) in Working Capital:	2,305	16,565	13,913	7,160
Working Capital (Deficiency) —				
Beginning of Period	<u>18,654</u>	<u>(17,779)</u>	<u>7,046</u>	<u>(8,374)</u>
Working Capital (Deficiency) —				
End of Period	<u>\$20,959</u>	<u>(1,214)</u>	<u>20,959</u>	<u>(1,214)</u>
Represented by:				
Current assets	31,214	23,560	31,214	23,560
Current liabilities	<u>10,255</u>	<u>24,774</u>	<u>10,255</u>	<u>24,774</u>
Working Capital (Deficiency) —				
End of Period	<u>\$20,959</u>	<u>(1,214)</u>	<u>20,959</u>	<u>(1,214)</u>

*These financial statements reflect the combined operations of Cyprus Anvil Mining Corporation and Dynasty Explorations Limited. These companies were amalgamated on April 21, 1975. The amalgamation is being accounted for on the pooling of interests basis.

To our Shareholders:

Your Company's net profit for the first half of 1975 amounted to \$13,325,000 equal to \$1.75 per share compared to \$17,061,000 or \$2.24 per share for the same period in 1974.

During the first half, concentrates sold had a payable metal content of 127,416,000 pounds of lead, 131,384,000 pounds of zinc and 1,744,000 ounces of silver. Average prices received during the period were: lead 19.6¢ per pound, zinc 37.8¢ per pound and silver \$4.56 per ounce compared to 28.5¢, 36.1¢ and \$5.26 respectively for the first half of 1974.

For the first six months of the year, mill throughput averaged 9,197 tons per day, and total production of concentrates was close to the projected plan for 1975. Steady improvements in plant metallurgy continued throughout this period. Further improvements in all phases of the operations are anticipated during the balance of the year.

At the quarterly meeting of the Directors held on July 24th, 1975, the Directors declared a dividend of 15¢ per share payable on August 22nd, 1975, to shareholders of record on August 7th, 1975.

The Board approved an additional \$1.7 million for the first stage of a Mobile Home Park which is now under construction at Faro. The first 45 mobile home units will be available for occupancy by our employees early this winter.

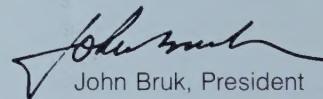
Your Company, under agreement with a subsidiary of Cyprus Mines Corporation, has acquired an option to purchase a 100% interest in the Kakwa Coal property in Alberta. The property has a substantial metallurgical coal potential. Geologically indicated reserves which may be mineable by surface methods are in excess of 100 million

tons, of which 25 million are proven. This Agreement is subject to the approval of shareholders and regulatory agencies and the continued exploration and development is subject to obtaining exploration and development permits. The required exploration permit is still under consideration by the Alberta Government which is in the process of developing environmental and other policies relating to exploration and development within the Eastern Slopes where the Kakwa project is located.

All principal exploration projects were underway during the second quarter. Diamond drilling has been carried out on the Anvil district properties, on the Reef project north of Dawson City and on the Earn project north of the Anvil district. Sulphide mineralization with low base metal content has been intersected in drill holes in the Swim Lake section of the Anvil district and on claims adjacent to the Grum deposit of Kerr-Addison Mines and AEX Minerals Corporation. A number of new prospects have been staked as a result of regional surveys.

At the meeting of the Directors, Mr. Robert E. Thurmond announced that he will be taking early retirement from Cyprus Mines Corporation to become an independent mining consultant and was therefore relinquishing the office of President of our Company while continuing as a Director. John Bruk, who has been serving as Chairman of the Company has been appointed President and Chief Executive Officer. Kenneth Lieber, the President of Cyprus Mines Corporation has been appointed Chairman of the Company.

30 July 1975



John Bruk, President

Summary of Operations

	three months ended June 30		six months ended June 30	
	1975	1974	1975	1974
Ore:				
Tons Milled — dry short tons (000's)	842	505	1,665	1,247
% Lead	3.94	4.70	3.94	4.36
% Zinc	5.44	5.67	5.16	5.48
Concentrate Produced:				
Lead Concentrate — dry short tons	36,843	25,732	74,377	59,776
% Lead	68.14	66.22	67.78	65.63
Zinc Concentrate — dry short tons	64,195	36,531	118,505	85,116
% Zinc	50.46	50.41	50.53	50.67
Bulk Concentrate — dry short tons	18,307	13,400	34,117	33,416
% Combined Lead/Zinc	43.00	49.92	44.25	49.51